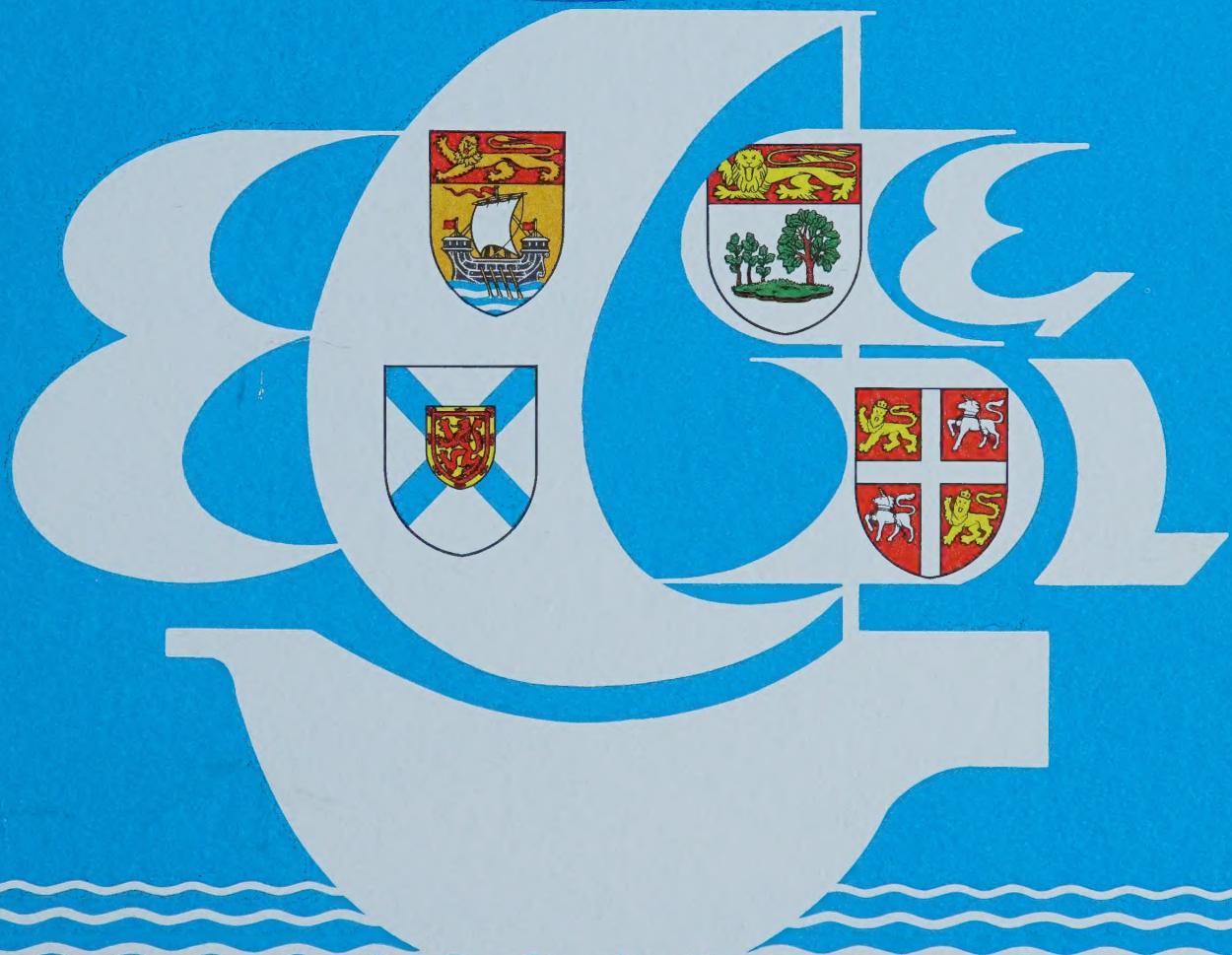




THE
EASTERN CANADA
SAVINGS AND LOAN COMPANY

AR51



86th Annual Report 1973

BOARD OF DIRECTORS

H. Reuben Cohen, Q.C.	Barrister-at-Law
* † Harold P. Connor	Chairman, National Sea Products Ltd.
Edward F. Crease	President, Alfred J. Bell & Grant Ltd.
W. John MacInnes, Q.C.	Senior Partner, MacInnes Wilson & Hallett
Carlisle Norwood	Chairman Major Vending Limited
Henry B. Rhude, Q.C.	Partner, Stewart, MacKeen and Covert
* † Donald M. Smith	President, J. E. Morse & Co. Ltd.
* † Gordon D. Stanfield	President, Starr Manufacturing Ltd.

* FINANCE COMMITTEE

† EXECUTIVE COMMITTEE

EXECUTIVE OFFICERS

Harold P. Connor	Chairman of the Board
Donald M. Smith	President and Chief Executive Officer
Gordon D. Stanfield	Vice-President
Douglas H. Cochrane	Vice-President Administration and General Manager



THE
EASTERN CANADA
SAVINGS AND LOAN COMPANY
HALIFAX, NOVA SCOTIA, CANADA

86th
ANNUAL REPORT
1973

Head Office: 1819 Granville St., Halifax, Nova Scotia

Federally Incorporated and Supervised

Established 1887

Member: Canada Deposit Insurance Corporation

HIGHLIGHTS OF 1973

	1973	1972	Increase
Operating income before taxes.....	\$4,688,000	\$4,210,000	11.4%
Income Taxes			
Current.....	1,806,000	1,805,000	
Deferred.....	440,000	104,000	
	2,246,000	1,909,000	17.7%
Operating income before securities and fixed asset gains.....	2,442,000	2,301,000	6.1%
Securities and fixed asset gains.....	104,000	84,000	
Net income for the year.....	2,546,000	2,385,000	6.8%
Earnings per share			
Income before securities and fixed asset gains.....	1.09	1.05	
Securities and fixed asset gains.....	.05	.04	
Net income for the year.....	1.14	1.09	

For Income Tax purposes The Eastern Canada Savings and Loan Company Stock was quoted at \$12.50 per share on Valuation Day, December 22, 1971.

86th Annual General Meeting
2 P.M. Chateau Halifax
Halifax, N.S. 21st March 1974

REPORT OF THE DIRECTORS

January 21, 1974

TO THE SHAREHOLDERS:

Your directors are pleased to present the Eighty-sixth Annual Report of The Eastern Canada Savings and Loan Company including the financial statements and the Auditors report for the fiscal year ending December 31, 1973.

This has been a year of continued growth in most aspects of the Company's operations and, despite adverse factors such as keen competition, higher cost of money, escalating administration expenses and heavier taxation, the Company has achieved a gain in net income.

EARNINGS

The operating income before Income Tax is \$4,688,000 as compared to \$4,210,000, an increase of 11.4%. Income Tax on 1973 earnings amounts to \$2,246,000 as compared to \$1,909,000, an increase of 17.7%, leaving the net income at \$2,442,000 as compared to \$2,301,000, an increase of 6.1%. In addition a net gain was realized on the sale of securities of \$66,000 after taxes and \$38,000 from the sale of property formerly occupied by the Fairview Branch.

Earnings per share for the year are \$1.14 as compared to \$1.09 on the 2,185,280 shares, weighted average, outstanding at December 31, 1972.

DIVIDENDS

A dividend of 13c a share was paid on April 1. The regular dividend was increased to 15c, and paid on July 1, October 1 and January 1, 1974, making a distribution of 58c a share in respect of 1973 earnings as compared to 46c a share in 1972. Thus with the exception of 1968, dividends have been increased every year since 1959. Total dividends paid in 1973 were \$1,303,000 as compared to \$1,006,000 in 1972, an increase of 29.5%.

ASSETS

Assets amount to \$311,518,000 at December 31st as compared to \$252,837,000 on December 31, 1972. This is a gain of 23.2% or \$58,681,000, the greatest increase in the history of the Company.

Assets have quadrupled in the last ten years and grown by 50% in the last two years. These are figures of which we are very proud, but in order to maintain that growth, the Company will require additional equity capital. Accordingly this year your Directors are planning, subject to market conditions, to offer to the shareholders the right to subscribe for additional shares.

As of the date of this report, the time and terms of this rights offering have not been determined, but particulars will be sent to you during the year.

MORTGAGES

The mortgage portfolio rose by 27.9% or \$64,990,000 to \$297,975,000, the largest increase in the history of the Company. Competition was very keen throughout the year and such progress reflects to the credit of our staff. However, the yield on the portfolio was lower due to many factors and this restricted the growth of profits in contrast to the increased volume of business.

CONSUMER LOANS

As recorded in last year's report this new field of lending activity has expanded rapidly and it is anticipated that the rate of growth will continue through 1974.

DEBENTURES AND DEPOSITS

Savings deposits increased to \$32,645,000 or 4.71%. The interest rate on non-chequing savings accounts rose during the year from 5% to 7 1/4% on January 1, 1974. These higher rates represented an additional cost to your Company in 1973 of approximately \$200,000 and impaired profit growth.

Debenture sales increased during the year, but again at substantially higher interest rates. Debentures outstanding at December 31, 1973, with accrued interest, are \$258,266,000, a 26.8% advance over the corresponding figure at December 31, 1972 and a new record.

While the current demand for short term money is so great as to have created the anomaly of having to pay higher rates for short term and demand money than for longer term money, this situation is not expected to continue. It is expected that short term rates will fall, but, there is great uncertainty as to the future trend of long term rates, except that any decline will be slight and of short duration.

INVESTMENTS

The Bond portfolio has increased by \$354,000 and the Company is advised by competent consultants. The yield to maturity has improved substantially and the Company has adhered to the policy of buying only bonds that meet the liquidity reserve requirements of the Federal Department of Insurance.

Additions were made to the Common Stock portfolio of the Company on the advice of the investment counsellor. The quality of the portfolio has been maintained and consists of bank, utility, and high grade common stock. However, the market value of the portfolio, while well in excess of the book value, has been affected adversely by the stock market decline particularly at the end of the year. Trading during the year resulted in a net gain, after taxes, of \$66,000 or approximately .03c a share and the item is to be found in the Statement of Income.

DIRECTORS

During the year Mr. A. Gordon Archibald resigned from your Board of Directors due to his appointment as a Director of the Toronto-Dominion Bank. This resignation is required by the Bank Act which prohibits directors of banks from serving on the boards of Trust and Loan Companies. We miss his wise counsel and the keen interest he took in the affairs of your Company.

STAFF

In December the General Manager, Mr. Douglas H. Cochrane, C. Econ., A.A.C.I., S.R.P.A. was promoted to the position of Vice-President Administration and General Manager. This appointment recognizes the increased duties and responsibilities of his position occasioned by the growth of the Company.

The staff has increased by 20, to a total of 140, and we know that the growth of the Company is due in large part to their interest and loyalty. On behalf of the directors and the shareholders, I take this opportunity to express to all the employees of your Company my thanks for their contribution to our progress.

BRANCHES

In April the Fairview Branch on the Dutch Village Road, Halifax, was closed and the branch at the Bayers Road Shopping Centre was opened in its place. This move has been most successful and the better and more accessible facilities are attracting an increasing volume of business. The Dutch Village Road property was sold for a book gain of \$38,000 and amounts to approximately .02c a share.

Other locations are under consideration as sites for new branch offices.

ELECTRONIC DATA PROCESSING

I have the pleasure to advise that a new N.C.R. Century 101 computer has now been installed and is in effective operation as of January 1st, 1974. Installing this very complex piece of equipment and meeting the schedules necessary to put it into use on this date has required planning, co-operation and hard work by certain staff members. Their efforts and those of N.C.R. Canada Ltd. are much appreciated by the directors of your Company.

This computer has the capacity to meet the needs of the Company for years to come and the benefits accruing from its installation will be apparent immediately. In addition, as new programs are implemented, it will assist us in providing more efficient service to our customers.

SHAREHOLDERS

As of December 31st, 1973 there were 1,978 shareholders in Atlantic Canada, and 156 in other Provinces of Canada. 43 shareholders reside outside of Canada. The total is 2,177.

OUTLOOK

1973 has been a year of change and uncertainty and the 1974 outlook indicates this situation will continue.

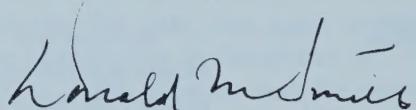
The Company is entering 1974 with mortgage commitments substantially greater than a year ago and is expecting the demand for mortgages for residential property to be only slightly less than in 1973. However, it is felt that the demand for industrial and commercial building loans will be somewhat greater than in 1973.

It is forecast that inflation will continue, at or near, the current rate of increase which means administration expenses will continue to rise and the most careful control will have to be exercised by management.

The increase in the effective income tax rate paid in 1973 over 1972 cost the shareholders of this Company approximately .05c a share. It is to be hoped that some tax relief will be forthcoming.

In summary, we believe that 1974 will be a year of progress and growth, but, that your Company will continue as in 1973 to operate on a narrower spread than has been traditional.

On behalf of the Board,



DONALD M. SMITH,
President and
Chief Executive Officer

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1973

with comparative figures for 1972

	1973	1972
Income:		
Interest from loans and advances	\$25,991,000	\$20,657,000
Interest and dividends from investment securities ..	1,072,000	902,000
Other operating income	234,000	154,000
	<u>27,297,000</u>	<u>21,713,000</u>
Expense:		
Interest on deposits and borrowings	20,445,000	15,724,000
Salaries and staff benefits	1,034,000	838,000
Premises expense	122,000	106,000
Depreciation	99,000	94,000
Other operating expenses	909,000	741,000
	<u>22,609,000</u>	<u>17,503,000</u>
Operating income before taxes	4,688,000	4,210,000
Income taxes		
Current	1,806,000	1,805,000
Deferred	440,000	104,000
	<u>2,246,000</u>	<u>1,909,000</u>
Operating income before securities and fixed asset gains	2,442,000	2,301,000
Securities gains, less related income taxes	66,000	84,000
Fixed asset gain, less related income taxes	38,000	—
Net income for the year	<u>\$ 2,546,000</u>	<u>\$ 2,385,000</u>
Earnings per share		
Income before securities and fixed asset gains	\$ 1.09	\$ 1.05
Securities and fixed asset gains05	.04
Net income for the year	<u>\$ 1.14</u>	<u>\$ 1.09</u>

See accompanying notes to the financial statements.

BALANCE SHEET

WITH COMPARATIVE

ASSETS

	1973	1972
Cash	\$ 212,000	\$ 1,328,000
Accrued interest on investments	161,000	155,000
Investment securities:		
Short term notes, at cost	—	5,624,000
Bonds, (note 1)	10,301,000	9,947,000
Stocks, at cost	<u>1,914,000</u>	<u>1,557,000</u>
	12,215,000	17,128,000
Allowance for diminution in value of bonds	350,000	350,000
Net investment securities	<u>11,865,000</u>	<u>16,778,000</u>
Approximate market value December 31,		
1973—\$11,740,000		
1972—\$17,380,000		
Mortgages, agreements and accrued interest	297,975,000	232,985,000
Premises, office equipment and furnishings, at cost	2,149,000	2,315,000
Accumulated depreciation	<u>984,000</u>	<u>931,000</u>
	<u>1,165,000</u>	<u>1,384,000</u>
Leasehold improvements, at cost less amounts written off	22,000	8,000
Other assets	118,000	199,000
	<u>\$311,518,000</u>	<u>\$252,837,000</u>

See accompanying notes to the financial statements.

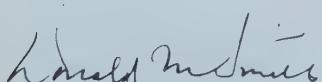
CEMBER 31, 1973

FIGURES FOR 1972

LIABILITIES

	1973	1972
Deposits and borrowings:		
Bank loan	\$ 700,000	\$ —
Deposits	32,645,000	31,178,000
Debentures and accrued interest	258,266,000	203,613,000
Mortgagors' deposits for taxes	3,242,000	2,705,000
	<u>294,853,000</u>	<u>237,496,000</u>
Other liabilities:		
Income taxes payable	96,000	369,000
Dividend payable	337,000	292,000
Miscellaneous	419,000	550,000
	<u>852,000</u>	<u>1,211,000</u>
Deferred income taxes (note 2)	1,124,000	684,000
Shareholders' equity:		
Capital stock:		
Authorized—3,000,000 shares par value		
\$1. per share		
Issued and fully paid—2,247,040 shares	2,247,000	2,247,000
Contributed surplus	1,976,000	1,976,000
General reserve	6,000,000	6,000,000
Retained earnings	4,466,000	3,223,000
	<u>14,689,000</u>	<u>13,446,000</u>
	<u>\$311,518,000</u>	<u>\$252,837,000</u>

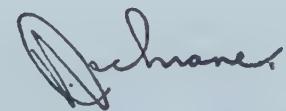
On behalf of the Board:



Donald M. Smith
President



Gordon D. Stanfield
Vice-President



Douglas H. Cochrane
Vice President—Administration
and General Manager

**STATEMENTS
OF GENERAL RESERVE
AND RETAINED EARNINGS**

YEAR ENDED DECEMBER 31, 1973

with comparative figures for 1972

General Reserve

	1973	1972
Balance, at beginning of year.....	<u>\$6,000,000</u>	<u>\$6,000,000</u>
Balance, at end of year.....	<u><u>\$6,000,000</u></u>	<u><u>\$6,000,000</u></u>

Retained Earnings

Balance, at beginning of year.....	\$3,223,000	\$1,844,000
Net income for the year.....	2,546,000	2,385,000
	<u><u>5,769,000</u></u>	<u><u>4,229,000</u></u>

Deduct:

Dividends.....	1,303,000	1,006,000
Balance, at end of year.....	<u><u>\$4,466,000</u></u>	<u><u>\$3,223,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. Bonds

The company carries its bonds basically at amortized cost. Where this type of investment is sold, the difference between the sale price and the carrying value is accounted for by the 'deferral and amortization' method and no loss or gain is reflected in income at the date of sale, unless the total investment in such fixed term securities is reduced. Any gain or loss on such sales is amortized to income over the remaining term to maturity of the investment sold. In the normal course, the proceeds are reinvested in bonds of similar quality. The 'deferral and amortization' of losses or gains on sales serves to effectively adjust the yields on the new bonds acquired.

At December 31, 1973, losses deferred under this method amounted to \$43,500.

2. Deferred Income Taxes

In addition to the deferred income taxes recorded on the books of the company, in the amount of \$1,124,000., income taxes were reduced in prior years by an aggregate amount of \$1,059,000 as a result of claiming a mortgage reserve and other deductions for income taxes in excess of amounts charged in the company's accounts. No provision is being made in the company's accounts at this time for this latter amount.

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the balance sheet of The Eastern Canada Savings and Loan Company as of December 31, 1973 and the statements of income, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1973 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Halifax, N.S.

January 16, 1974

GROWTH OF YOUR COMPANY

FISCAL YEAR	ASSETS	MORTGAGES	DEBENTURES	CAPITAL RESERVES		NET INCOME	EARNINGS PER SHARE	DIVIDENDS PER SHARE
			AND DEPOSITS	AND SURPLUS				
1898	529,000	392,000	300,000	129,000	11,000	11.2	6.0	
1908	1,015,000	720,000	425,000	340,000	23,000	9.0	7.0	
1918	2,104,000	1,624,000	1,130,000	599,000	44,000	11.7	8.0	
1928	3,337,000	3,171,000	2,196,000	1,135,000	87,000	11.6	8.0	
1938	4,574,000	4,079,000	3,406,000	1,161,000	65,000	8.7	7.0	
1948	12,158,000	11,519,000	10,247,000	1,812,000	139,000	13.8	7.0	
1958	38,228,000	33,024,000	34,432,000	3,603,000	353,000	23.5	11.0	
1962	66,994,000	58,407,000	60,878,000	5,342,000	468,000	26.7	16.5	
1965	105,505,000	97,227,000	97,365,000	7,026,000	628,000	31.4	23.0	
1966	114,446,000	105,461,000	105,563,000	7,517,000	728,000	36.4	25.0	
1967	121,691,000	111,736,000	111,513,000	7,884,000	821,000	41.0	27.0	
1968	131,591,000	119,696,000	121,047,000	8,179,000	810,000	40.5	27.0	
1969	145,156,000	133,601,000	134,008,000	8,514,000	908,000	45.4	29.0	
1970	172,597,000	156,557,000	160,654,000	8,986,000	1,072,000	53.6	30.0	
1971	207,580,000	190,647,000	194,048,000	9,844,000	1,548,000	77.4	34.5	
1972	252,837,000	232,985,000	234,791,000	13,446,000	2,385,000	1.09	46.0	
1973	311,518,000	297,975,000	290,911,000	14,689,000	2,546,000	1.14	58.0	

1938 - 1973

36 YEAR RECORD FOR ASSETS

Millions of dollars



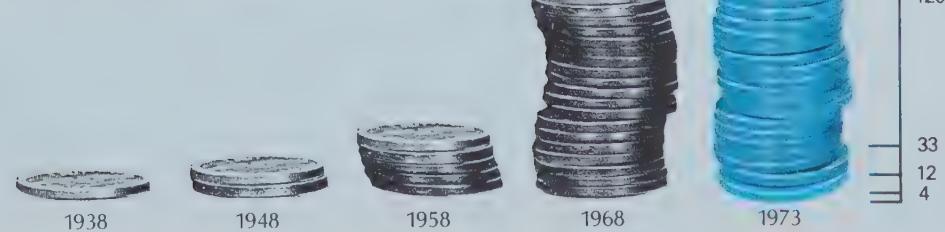
36 YEAR RECORD FOR DEBENTURES AND DEPOSITS

Millions of dollars



36 YEAR RECORD FOR MORTGAGES

Millions of dollars



MORTGAGES

residential, commercial and industrial

DEBENTURES

bearer, registered and accumulative

SAVINGS ACCOUNTS

with chequing privileges

SAVINGS ACCOUNTS

non-chequing

MONEY ORDERS

TRAVELLERS CHEQUES

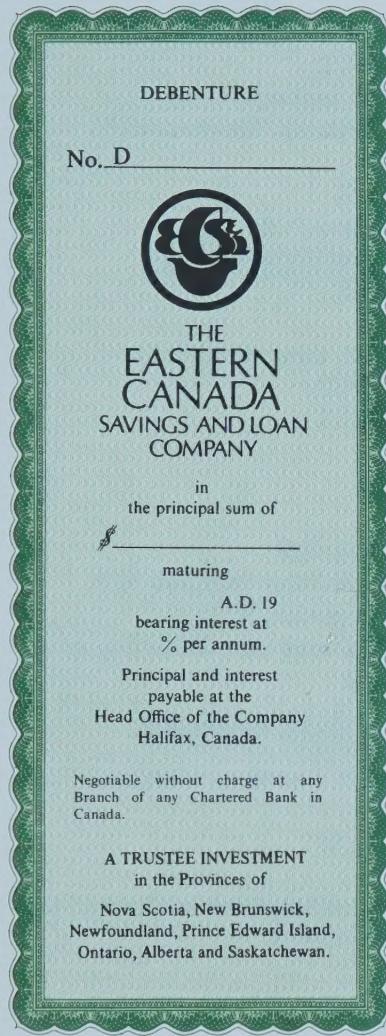
SAFETY DEPOSIT BOXES

MOBILE HOME LOANS

This most recent addition to our services is in keeping with public demand and modern trends. Attractive features of our Mobile Home purchase plan are:

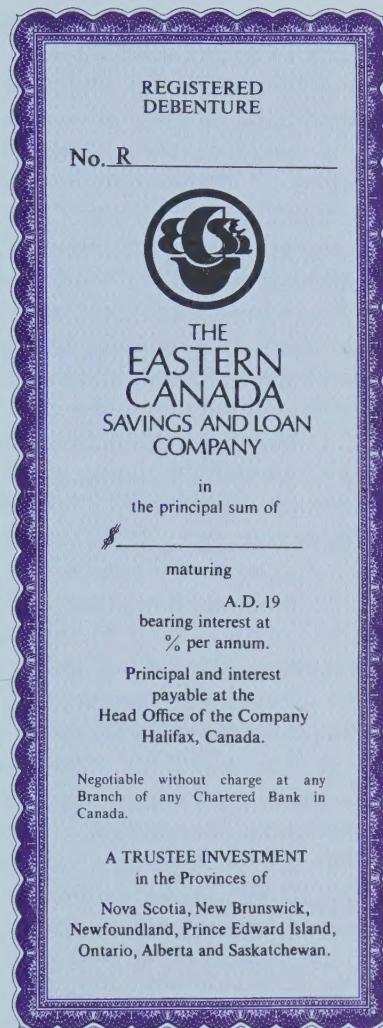
- Competitive Interest Rates
- Maximum 12 year term
- Life Insured Loans
- Fast and efficient Service

Inquiries and referrals will be most welcome.



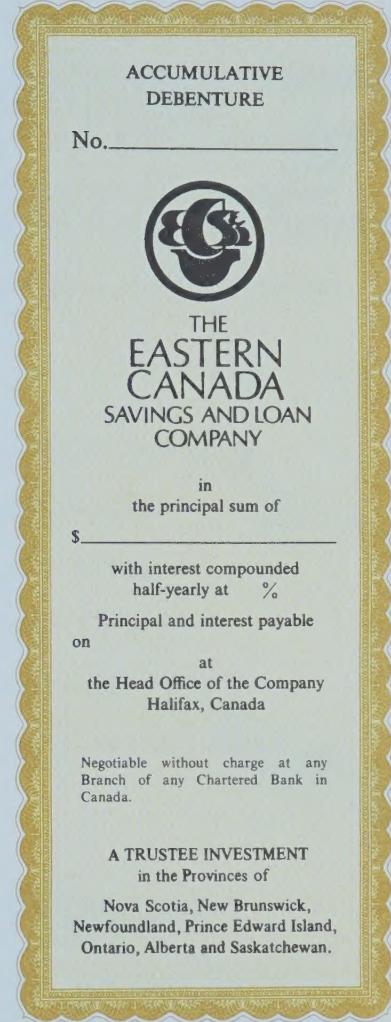
DEBENTURES

Debentures are coupon bearing certificates which are issued either in bearer form or registered as to principal. Interest is payable semi-annually with the first coupon due six months after the date of issue.



REGISTERED DEBENTURES

Registered Debentures are certificates which are fully registered both as to principal and interest and are transferable only on the books of the Company. Interest is payable by cheque semi-annually with the first cheque being issued six months after the date of issue. On amounts of \$5,000.00 or more, interest can be paid monthly, by cheque, if requested.



ACCUMULATIVE DEBENTURES

Accumulative Debentures are certificates bearing one coupon only. They are issued either in bearer form or registered as to principal. Compound interest, calculated semi-annually and payable at maturity, is subject to income tax the year the Debenture matures. If you wish to report interest yearly for income tax purposes, special arrangements can be made through our Savings Department.

While the sum invested is not repayable until maturity, in the event of death and on request of the Executor, the principal sum with interest to date will be paid to the estate.

All three types of Debentures are a trustee investment in Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland, Ontario, Alberta, and Saskatchewan.

Coupons and Debentures are negotiable without charge at any Chartered Bank in Canada.

Central Services Ltd., Clarenville, Newfoundland
Curtis Chipman, Wolfville, N.S.
W. E. Cosman & Son, Digby, N.S.
David G. Cottenden, Orlando & Hicks, Bridgetown, N.S.
C. R. Coughlan, Q.C., Bridgewater, N.S.
Reginald F. Davis, Grand Falls, Newfoundland
Charles Devine, Labrador City and Wabush, Newfoundland
C. Hanson Dowell, Middleton, N.S.
Eastern Realties Ltd., Antigonish, N.S.
Fulton's Insurance Agencies Ltd., Truro, N.S.
James M. Harding, Q.C., Shelburne, N.S.
Harding Real Estate, Bridgewater, N.S.
Paul P. D. Hatty, St. John, N.B.
W. G. Haughn Insurance Agency Ltd., Lunenburg, N.S.
Hicks, Lemoine & Haugg, Amherst, N.S.
Holloway Insurance Ltd., Liverpool, N.S.
Harold Huskilson, Shelburne, N.S.
Lee J. Johnston, Wolfville, N.S.
C. N. Kaulback, Bear River, N.S.
R. A. Laurence, Q.C., Annapolis Royal, N.S.
MacIntosh, MacDonnell & MacDonald, New Glasgow, N.S.
Mrs. Jean C. MacPherson, Q.C., Antigonish, N.S.
Mrs. Isabel MacRae, Commercial Agencies Ltd., Glace Bay, N.S.
A. G. Macdonald, Q.C., Windsor, N.S.
Nauss Brothers Ltd., Bridgewater, N.S.
New Minas Realties Ltd., Windsor, N.S.
Brian G. Phelan, Banner Real Estate & Insurance, Middleton, N.S.
Irving C. Pink, Q.C., Yarmouth, N.S.
Edward Robertson, New Glasgow, N.S.
T. C. Sedgwick, Q.C., Pictou, N.S.
Sullivan, Smith, Campbell, Boudreau & MacDonald, Sydney, N.S.
Thornes Ltd., Corner Brook, Newfoundland
Gordon Tidman, Kingston, N.S.
L. G. Trask Agency Ltd., Yarmouth, N.S.

SOLICITORS

MacInnes Wilson and Hallett
Halifax, N.S.

AUDITORS

Peat, Marwick, Mitchell & Co.
Halifax, N.S.

BANKERS

The Bank of Nova Scotia
The Royal Bank of Canada

STOCK EXCHANGES

Montreal and Toronto

STOCK TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company
Halifax, Montreal & Toronto

SENIOR ADMINISTRATIVE STAFF

Claude E. Dawe	Regional Manager, Newfoundland
Ralph W. Dickey	Regional Manager, New Brunswick and Prince Edward Island Executive Assistant—Development
Harold Kempster	Regional Manager, Nova Scotia Executive Assistant—Administration
Grant I. Warwick	Secretary and Chief Accountant

HEAD OFFICE DEPARTMENTS

Ronald E. Briggs	Data Processing Manager
Michael E. Doyle	Systems Analyst
Peter D. Flemming	Internal Auditor
Ena F. Hills	Executive Secretary
Morris D. Moore	Chief Mortgage Officer
Stuart D. Wornell	Consumer Loans Manager

BRANCH OFFICE MANAGERS

Gerald N. Slaunwhite	1819 Granville Street, Halifax, N.S.
David M. MacLeod	Bayers Road Shopping Centre, Halifax, N.S.
Edward Tomes	140 Portland Street, Dartmouth, N.S.
Ralph J. Sanford	373 Main Street, Kentville, N.S.
Claude E. Dawe	170 Water Street, St. John's, Newfoundland
Robert S. Haines	95 Bonaventure Avenue, St. John's, Newfoundland
Arthur J. Dawe	19-21 West Street, Corner Brook, Newfoundland
Velma F. Andrew	85 Queen Street, Charlottetown, P.E.I.
Wayne V. Dauphinee	1199 Main Street, Moncton, N.B.
Robert B. Croft	212 Queen Street, Fredericton, N.B.
David C. MacAvoy	Bathurst Shopping Mall, Bathurst, N.B.

THE
EASTERN CANADA
SAVINGS AND LOAN COMPANY



Head Office: 1819 Granville St., Halifax, Nova Scotia

BRANCHES

1819 Granville Street, Halifax, N.S.

Bayers Road Shopping Centre, Halifax, N.S.

140 Portland Street, Dartmouth, N.S.

373 Main Street, Kentville, N.S.

170 Water Street, St. John's, Newfoundland

95 Bonaventure Avenue, St. John's, Newfoundland

19-21 West Street, Corner Brook, Newfoundland

85 Queen Street, Charlottetown, P.E.I.

1199 Main Street, Moncton, N.B.

212 Queen Street, Fredericton, N.B.

Bathurst Shopping Mall, Bathurst, N.B.

